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Statement of

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Comptroller General of the United States

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before a joint hearing of the

Subcommittees on International Organizations and

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International Operations

House Committee on Foreign Affairs

on

1 [United Nations Finances] C. 816

Mr. Chairmen and Members of the Subcommittees:

We appreciate the opportunity to participate in this hearing and to express our views on financial management in the United Nations system. As you are well aware, we, and members of this Committee, have long been concerned with the need to improve financial management in the United Nations. Today, I will focus on what is being done and what needs to be done to cope with financial-management problems.

In August, we issued a report, "U.S. Participation in International Organizations: An Update," (ID-79-26,

2 Aug. 10, 1979). We stated that recent actions by the President and the Secretary of State have attempted to improve the

363

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direction and coordination of U.S. policy. We also stated that, if properly carried out, these actions should improve U.S. participation. This was followed by a report in September, "UNESCO Programing and Budgeting Need Greater U.S. Attention," (ID-79-12, Sept. 14, 1979), in which we recommended ways for the United States to participate more in UNESCO programing and budgeting.

We believe that improved U.S. participation in international organizations will help improve the organizations themselves. Active participation by the United States and other member governments should measurably improve program results.

Audits and Evaluations in the United Nations

On September 24, we issued a report, "Improving Financial Management in the United Nations by Strengthening Audits and Evaluations," (ID-79-56, Sept. 24, 1979), which is directly related to the subject of today's hearings.

Tremendous increases in U.N. activities have occurred due to technological, social, and political changes in the world. When the United Nations was established in 1945, peace and security were regarded as primary goals and responsibilities of the organization. Since then, however, membership has expanded considerably, from 51 member countries to 152, and economic and social development have been emphasized more. Two new agencies have been formed in the present decade--the

World Intellectual Property Organization and the International Fund for Agricultural Development. Budget increases of 300 percent or more have been common in the U.N. specialized agencies during the same period.

In a 10-year period from 1967 to 1977, the combined budgets of the U.N. system (exclusive of trust funds) went from \$642 million to \$2.4 billion, or an increase of 280 percent. In real terms, this increase amounts to about 84 percent.

In October 1979, the U.S. Representative to the General Assembly's Fifth Committee stated that the abnormal budget increases of the past must be more closely controlled and that unless financial and budgetary restraint is practiced, the future success of the organizations will suffer since the needed resources will not be forthcoming.

As early as 1969, our reports recommended that the Department of State, in conjunction with other member governments, act to improve financial management in the U.N. system. Because the U.N. system is spending large amounts of money, we believe the United Nations should account to its contributors and its beneficiaries for how effectively the monies are being used. Thus, effective financial management, including internal and external auditing and evaluations, have become increasingly important, not only for the developed countries whose contributions comprise the greatest part of the budgets, but for the developing countries as well. Good financial management means more benefits

to the developing countries through more effective and efficient use of limited resources.

An Auditor General for the United Nations

In our September 24, 1979 report, we pointed out several ways that the Department of State and its representatives to the United Nations could help improve audits and evaluations in the U.N. system. We particularly focused on the advantages of reorganizing the external audit machinery of the United Nations--the Board of Auditors.

First, let me provide some background on the Board. The U.N. Board of Auditors, established in 1946, is responsible for external reviews of the United Nations. The Board, however, is not responsible for audits of the specialized agencies, which appoint their own external auditors. The Board of Auditors is composed of the Auditors General or equivalent of three member states, appointed by the General Assembly for 3-year terms, with one member's term expiring each year. Each Board member provides the audit staff, as needed, which is approximately 20 people for about 4 months each year, and a full time Director of Audits.

The organization and work of the Board has significantly improved in the past few years, especially (1) in the manner of organizing and conducting their reviews and (2) in reporting their audit findings and recommendations. We believe, however, certain additional fundamental changes are necessary

to insure that the United Nations has the most effective audit organization with the capability to use the most current audit techniques and methods.

We believe there is a need for central direction of a highly motivated and qualified permanent staff that has continuity and the capability to review the complex U.N. system. We also believe the staff should be representative of major geographical areas to insure the widest possible interest among member governments. This does not now exist. We believe the central direction of this staff should be provided by an Auditor General, nominated by the Board and approved by the General Assembly. He or she should be a person of appropriate experience and stature. Guidance to the Auditor General would be provided by an expanded Board of Auditors along the lines of the current 16-member Advisory Committee on Administrative and Budgetary Questions. This approach for making the audit machinery of the United Nations more effective is not new. It was previously proposed by a former Secretary General over 20 years ago, and was recommended this year by Canadian consultants to the Auditor General of Canada.

Actions Taken

In early October 1979, Canada's Representative to the General Assembly's Fifth Committee presented a proposal for reorganization of the Board of Auditors, as suggested by the consultants' report. The Canadian Representative did not seek a decision during the Assembly's meeting this year, but

requested that a resolution be adopted asking the Secretary General to seek the views of member states and report to the General Assembly the following year. The U.S. Representative supported Canada's views, agreed with the many ideas presented in the proposal, and emphasized the need to enhance the quality of U.N. auditing procedures and practices as a means of improving financial management.

Acting on the proposal, on October 12, 1979, the Fifth Committee decided that the Board of Auditors, the Panel of External Auditors, and the Advisory Committee on Administrative and Budgetary Questions should submit views on the Canadian proposal and that the Secretary General should submit a report containing his views to the 36th session (1981) of the General Assembly's Fifth Committee. The General Assembly confirmed this decision on October 25.

We believe that the United States should continue to support the reorganization of the Board of Auditors, as a means of improving financial management in the United Nations. It is only through continuous, active support of the United States and other U.N. members at the highest levels that (1) efficiency and economy will be achieved in U.N. programs and (2) needed resources will be available to assist the development of those countries having the greatest need.

The United States and other major donors should make a concerted effort to encourage delegates from the developing

countries to lend full support to improving financial management in the United Nations. Furthermore, we believe the Congress should indicate its support of these efforts and, thereby, encourage the Department of State to vigorously support improved financial management in the United Nations.

Evaluations in the U.N. System

The Joint Inspection Unit, unlike the Board of Auditors, has system-wide responsibilities in the United Nations. As one of its functions, this Unit has responsibility to assist and perform evaluations in the United Nations and its related, subsidiary bodies and in most specialized agencies. The Joint Inspection Unit is a subsidiary organization of the General Assembly.

Budget and Staffing

The statute of the Joint Inspection Unit provides that the Unit budget be included in the regular budget of the United Nations. The proposed budget for the 1980-1981 biennium is estimated at \$4.2 million, to cover the salaries and expenses of 11 inspectors, 8 other professional, and 13 general-service employees. The proposed budget provides for approximately 60 percent of the funds to be used for inspections concerned with efficiency and economy in the various organizations. The other 40 percent of the funds would be used to encourage participating organizations to introduce internal evaluation systems, based on common guidelines and principles, with a view to facilitating

the review of program planning and execution by intergovernmental bodies, as well as the development of standards and methods for external evaluations.

Whether the Joint Inspection Unit can adequately handle this broad mandate with 11 inspectors and some supporting staff has been a subject of some discussions. Both the number of inspectors and their qualifications have been questioned. We have not evaluated the Unit on a comprehensive basis and do not know what the actual staffing needs should be. As stated in our September 24 report, however, because of its limited staff the Joint Inspection Unit cannot evaluate all U.N. system programs nor is it intended for it to do so. Under the present concept, each organization should have its own internal evaluation system.

GAO Efforts to Improve Evaluation

It has been widely recognized for many years that there is a need for the evaluation of operational activities of the U.N. system and for the need to make evaluation reports available to member governments. We have emphasized this need in many reports and have recommended many times that an independent U.N.-wide review and evaluation unit of appropriate size and competence be established. We have also noted that the various internal review groups were not sufficient and, consequently, the external unit should review the adequacy of internal efforts. In enacting subsection 301(e) of the Foreign Assistance Act in

1973, (22 U.S.C. 2221 (e)), the Congress emphasized this need by calling for the President to seek the establishment of a single professionally qualified group to independently evaluate the U.N. activities and functions of its affiliated organizations.

To assist the executive branch in this effort, we provided a "Statement of Auditing and Reporting Standards," to the Department of State in May 1975 for consideration by the United Nations. This statement discussed the scope, general standards, and reporting standards for an independent review and evaluation system. In 1976, after considering various proposals to improve external evaluation procedures, the General Assembly revised the charter of the Joint Inspection Unit and made it permanent--effective January 1978--and approved a new statute for the Unit. One provision of the statute provided that the Unit would assist U.N. organizations in carrying out their responsibilities for external evaluations, and would advise organizations on their methods of internal evaluations.

In accordance with the 1973 Foreign Assistance Act legislation previously mentioned, the President submitted several reports to us which had been prepared by the Unit and dated from September 1978 to April 1979. The administration, thus, now regards the Joint Inspection Unit as the independent evaluation unit in the United Nations that the Congress sought to establish.

We have not yet analyzed these reports and the work of the Unit, but in our report, we summarized the status of evaluations in the United Nations and the specialized agencies as follows:

"Currently, there is a high degree of interest in improving evaluations in the U.N. and our review of evaluations shows that there is a wide variety of evaluation efforts within the U.N. system. However, these efforts have not yet reached the stage where U.N. decisionmakers can systematically receive valid information about the worth of U.N. activities. Much still remains to be done."

Future Work

We plan to continue to monitor the evaluation efforts that are taking place in the United Nations and the specialized agencies to see what effect they are having on financial management and on the implementation of needed programs in accordance with available resources. We plan to review the work of the Joint Inspection Unit and the reports transmitted to us by the President and will report on the results of our work, as required by the Foreign Assistance Act legislation.

U.N. Finances Monitored by the State Department

The Department of State and its representatives to the United Nations and its specialized agencies have, over the years, demonstrated their overall interest in improving financial management. We believe that this interest, however, wanes at times, and it is not always followed-up through work with other member governments.

Many examples of the State Department role in monitoring U.N. finances can be cited. The most recent example is the U.S.

Representative statement to the General Assembly's Fifth Committee in October 1979. In his statement, the U.S. Representative supported the work of the Board of Auditors by providing detailed comments on most audit reports. He also supported Canada's proposal for enhancing the quality of U.N. auditing procedures and practices as a means of improving financial management in the United Nations. In addition, he noted that the United States believes it is the responsibility of all member states (1) to monitor the efforts of executive heads of U.N. organizations, (2) to monitor program performance, and (3) to insist that recommendations of the Board of Auditors are carried out effectively.

On the other hand, as noted in our report, "Improving Financial Management in the United Nations by Strengthening Audits and Evaluations," there is a need for some U.S. personnel to become more concerned with the work of the auditors. We noted, for example, that personnel responsible for U.S. interests in the Food and Agricultural Organization did not have all of the External Auditor's reports available, nor did they prepare position papers or guidance for U.S. representatives to the agency.

In our report on U.N. audits and evaluations we made several recommendations to the Department of State, regarding improving internal and external audits and evaluations. With respect to external audits, we recommended that the Secretary of State

--stress the need for appropriate U.S. personnel to review all external audit reports in the U.N. system, and to prepare a U.S. position on the report's findings and recommendations; and

--make every effort, through the U.S. delegates to the U.N. organizations to see that appropriate assembly or committee meetings have, as an agenda item, a discussion of the audit reports and that a U.S. position and recommendation for action is put forth at these meetings.

State Department officials informed us that they would insure that their personnel would take the necessary action, as suggested in our recommendations.

In addition, the Secretary of State, in accordance with section 236 of the Legislative Reorganization Act of 1970, is required to submit a written statement on actions taken on our recommendations to certain Committees of the Congress, not later than 60 days after the date of the report. Therefore, the State Department should soon be in a position to specify the ways it plans to implement our report recommendations. We do not know if the State Department will need additional resources, but we believe if our recommendations are acted upon, the United States will be able to help improve financial management in the U.N. system.

Conclusions and Recommendations

We believe--as the Secretary-General of the United Nations and member governments have stated--that the United Nations must be as careful as Governments in managing its programs and finances in restraining spending in the public sector. To insure this

type of financial management, we believe it is imperative to have the most effective audit organization, using the most current audit techniques and methods available. This organization should have a highly motivated and qualified staff that is representative of major geographical areas to insure the widest possible interest among member governments. We believe that the central direction of this staff, should be provided by an Auditor General who should be a person of appropriate experience and stature. The latter aspect will help alleviate misgivings that some member governments may have for such a fundamental change in the external-audit organization of the United Nations.

We believe that to make these fundamental changes and to insure effective audits and evaluations in the U.N. system, the State Department and its representative should continue to show support in the various committees and forums of the U.N. system, at every opportunity, and in its bilateral dealings with U.N. members, as well.

Mr. Chairmen, this concludes our statement. We would be pleased to address any questions you or members of the Subcommittee may have.